



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 3
FUNDAMENTALS OF LAWS AND ETHICS

SET - 1
TERM – DEC 2023
SYLLABUS - 2016

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	Mercantile Law :		
	(a)	Is applicable to businessmen only	O
	(b)	Is applicable to everybody	O
	(c)	Is applicable to non-businessman only	O
	(d)	Is applicable to Indians only	O
2.	An agreement to create legal liability :		
	(a)	Is not enforceable by law	O
	(b)	Is a void agreement	O
	(c)	Is enforceable by law	O
	(d)	None of the above	O
3.	A contract or an obligation to perform a promise could arise in the following ways :		
	(a)	By agreement and contract	O
	(b)	By standard form of contracts	O
	(c)	By promissory estoppel	O
	(d)	None of the above	O
4.	A foreigner :		
	(a)	is competent to enter into contract if he fulfills the conditions of section 11.	O
	(b)	is not competent to enter into contract	O
	(c)	can enter into contract with permission of Central Govt.	O
	(d)	can enter into contract with the permission of court	O
5.	A void agreement :		
	(a)	is illegal	O
	(b)	is not void ab-initio	O
	(c)	may or may not be illegal	O
	(d)	none of the above	O



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 3
FUNDAMENTALS OF LAWS AND ETHICS

SET - 1
TERM – DEC 2023
SYLLABUS - 2016

6.	Right in rem implies:		
	(a)	a right available against the whole world	O
	(b)	a right available against a particular individual	O
	(c)	a right available against the Government	O
	(d)	none of the above	O
7.	Which of the following contracts are not recognized by Indian Contract Act, 1872?		
	(a)	Recognizance	O
	(b)	Court Judgment	O
	(c)	Contract under seal	O
	(d)	All the above	O
8.	Under the English law which of the following are recognized as formal contract :		
	(a)	Recognizance	O
	(b)	Contract under seal	O
	(c)	Parol contracts	O
	(d)	Both (a) and (b)	O
9.	Cross offer do not constitute a contract because :		
	(a)	there is no acceptance	O
	(b)	there is implied acceptance	O
	(c)	crossing implies cancellation	O
	(d)	it amounts to counter offer	O
10.	A counter offer proposing different terms and conditions :		
	(a)	Amounts to acceptance of the offer	O
	(b)	Amount to rejection of the offer	O
	(c)	Results in making of the provisional contract	O
	(d)	Both (b) & (C)	O
11.	When the promisee does not accept the offer of performance, the promisor is not responsible for non- performance :		
	(a)	TRUE	O
	(b)	FALSE	O



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 3
FUNDAMENTALS OF LAWS AND ETHICS

SET - 1
TERM – DEC 2023
SYLLABUS - 2016

12.	If the offeree does not accept the offer according to the mode prescribed, then :		
	(a)	The offeror may accept or reject such acceptance	O
	(b)	The offer lapses automatically	O
	(c)	It is a counter offer	O
	(d)	Offeree commits a breach of contract	O
13.	A bid at an auction sale is :		
	(a)	An implied offer to buy	O
	(b)	An express offer to buy	O
	(c)	An Invitation to offer to buy	O
	(d)	An invitation to come to bid	O
14.	Which of the following is an invitation for offer?		
	(a)	A tender to supply goods at a certain time	O
	(b)	A request for a loan	O
	(c)	Bids in an auction sale	O
	(d)	A catalogue of goods for sale	O
15.	Acceptance in ignorance of the offer is _____.		
	(a)	Valid	O
	(b)	Invalid	O
	(c)	Void	O
	(d)	Voidable	O
16.	Express offers and acceptances may be proved by the agreement between the parties but implied offers can be proved only by :		
	(a)	The words	O
	(b)	The conduct	O
	(c)	Circumstantial evidence	O
	(d)	Both (1) & (2)	O
17.	A catalogue of the goods of a company for sale _____ a series of offers but only an invitation for offers.		
	(a)	Is	O
	(b)	Is not	O



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 3
FUNDAMENTALS OF LAWS AND ETHICS

SET - 1
TERM – DEC 2023
SYLLABUS - 2016

	(c)	In normal cases is	O
	(d)	In normal cases is not	O
18.		An offer does not lapse if the :	
	(a)	offeror dies before acceptance	O
	(b)	The offeree dies before acceptance	O
	(c)	Acceptance is made by the offeree in ignorance of the death of the offeror	O
	(d)	Acceptance is made by the offeree with knowledge of the death of the offeror	O
19.		What can a catalogue of books, listing price of each book and specifying the place where the listed books are available be termed as?	
	(a)	An offer	O
	(b)	An obligation to sell book	O
	(c)	An invitation to offer	O
	(d)	A promise to make available the books at the listed	O
20.		An Instrument incomplete in some respect is known as inchoate instruments.	
	(a)	TRUE	O
	(b)	FALSE	O
21.		A cheque is always payable on :	
	(a)	the date mentioned therein	O
	(b)	on demand	O
	(c)	3 days after presentation	O
	(d)	within 24 hrs of presentation	O
22.		___ parties are involved in a Promissory note.	
	(a)	2	O
	(b)	3	O
	(c)	4	O
	(d)	5	O
23.		A bill of exchange contains a/an_____.	
	(a)	Unconditional undertaking	O
	(b)	Unconditional order	O



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 3
FUNDAMENTALS OF LAWS AND ETHICS

SET - 1
TERM – DEC 2023
SYLLABUS - 2016

	(c)	conditional undertaking	O
	(d)	conditional order	O
24.	Right of Stoppage in transit can be exercised by the Unpaid Seller, where he :		
	(a)	has lost his right of lien	O
	(b)	still enjoys his right of lien	O
	(c)	either (1) or (2)	O
	(d)	neither (1) nor (2)	O
25.	An auction sale is complete on the -		
	(a)	delivery of goods	O
	(b)	payment of price	O
	(c)	fall of hammer	O
	(d)	None of the above	O
26.	Where the sale is not notified to be subject to a right to bid on behalf of seller, and the Auctioneer knowingly takes any bid from the Seller or any such person, the sale shall be treated as.....by the buyer.		
	(a)	unlawful	O
	(b)	illegal	O
	(c)	immoral	O
	(d)	fraudulent	O
27.is a form of combination of buyers to prevent competition among themselves at an auction sale.		
	(a)	Knock-out agreement	O
	(b)	monopoly agreement	O
	(c)	oligopoly agreement	O
	(d)	puffing agreement	O
28.	In an auction sale, the property shall be sold to be :		
	(a)	Lowest bidder	O
	(b)	Highest bidder	O
	(c)	Any bidder	O
	(d)	All bidders	O



29.	Unless excluded by an agreement to the contrary, where after a contract has been made but before it has been performed, excise duty is increased :	
(a)	The buyer would have to pay increased price	O
(b)	The seller cannot charge increased price	O
(c)	The seller can charge increased price	O
(d)	Both (1) and (3)	O
30.	Section 19 of the Sale of Goods Act, deals with passing of property of.....goods.	
(a)	Unascertained Goods	O
(b)	Future Goods	O
(c)	Specific or Ascertained Goods	O
(d)	Contingent Goods	O
31.	If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds :	
(a)	all parties to the instrument including the minor	O
(b)	only the minor and not other parties to the instrument	O
(c)	all parties to the instrument except the minor	O
(d)	none of the above	O
32.	If an instrument may be construed either as a promissory note or bill of exchange, it is :	
(a)	a valid instrument	O
(b)	an ambiguous instrument	O
(c)	a returnable instrument	O
(d)	none of the above	O
33.	A cheque is crossed when it bears across its face an addition of the name of a banker, either with or without the words “not negotiable”.	
(a)	Specially	O
(b)	General	O
(c)	Restrictive	O
(d)	None of the above	O
34.	_____ is not a negotiable instrument as per customs and usage .	



FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 3
FUNDAMENTALS OF LAWS AND ETHICS

SET - 1
TERM – DEC 2023
SYLLABUS - 2016

	(a)	Delivery note	O
	(b)	Railway Receipt	O
	(c)	Cheque	O
	(d)	Government promissory note	O
35.	A Corporation can be party to a Negotiable Instrument if :		
	(a)	authorized by its article of association	O
	(b)	if special permission of Board of Directors taken	O
	(c)	if special resolution by Share holders is passed	O
	(d)	absolutely without any restrictions	O
36.	_____ is a set of principles and expectations that are considered binding on any person who is member of a particular group.		
	(a)	Code of conduct	O
	(b)	Code of ethics	O
	(c)	Code of practice	O
	(d)	Any of the above	O
37.	'It is difficult but not impossible to conduct strictly honest business' is famous quote by:		
	(a)	Mahatma Gandhi	O
	(b)	Adam Smith	O
	(c)	George Bernard Shaw	O
	(d)	Peter Drucker	O
38.	Ethical and unethical behaviours are determined by :		
	(a)	the individual.	O
	(b)	the culture.	O
	(c)	both the individual and the culture.	O
	(d)	neither the individual nor the culture.	O
39.	Holders of public office are not accountable for their decisions and actions to the public.		
	(a)	TRUE	O
	(b)	FALSE	O



FUNDAMENTALS OF LAWS AND ETHICS

40.	Top managers demonstrate commitment to ethical business practices with :		
	(a)	the adoption of written codes of ethics.	O
	(b)	employee empowerment.	O
	(c)	decentralized decision making practices.	O
	(d)	collusion with other companies.	O
41.	The Study of Ethics is divided into ____ operational areas.		
	(a)	4	O
	(b)	5	O
	(c)	3	O
	(d)	6	O
42.	Corporate codes of ethics :		
	(a)	are always externally audited.	O
	(b)	create guidelines for employees to work by.	O
	(c)	are always compliance based.	O
	(d)	are always integrity based.	O
43.	The term 'business ethics' came into common use in year _____.		
	(a)	1950	O
	(b)	1960	O
	(c)	1970	O
	(d)	1980	O
44.	The crucial step in understanding business ethics is :		
	(a)	Establishing codes of ethics.	O
	(b)	Learning to recognize ethical issues.	O
	(c)	Having efficient operations.	O
	(d)	Implementing a strategic plan.	O
45.	Following is not a Professional characteristics:		
	(a)	Competition	O
	(b)	Character	O
	(c)	Competency	O
	(d)	Compensation	O



46.	_____ made it important for businesses to have an ethics code, something in writing about what one ought to do, and what to strive for.		
	(a)	The Ethics & Code Conduct Act, 2000	O
	(b)	The Sarbanes-Ethics of Code Conduct Act, 2001	O
	(c)	The Sarbanes-Oxley Act, 2002	O
	(d)	None of the above	O
47.	This is not f the 7 Principles of Public Life :		
	(a)	Integrity	O
	(b)	Honesty	O
	(c)	Content	O
	(d)	Accountability	O
48.	Law is _____ of ethics.		
	(a)	No connection	O
	(b)	Decodification	O
	(c)	Codification	O
	(d)	Visualisation	O
49.	Ethics is a set of _____ of human conduct that govern the behavior of individuals or organization.		
	(a)	principles	O
	(b)	standards	O
	(c)	principles or standards	O
	(d)	None of the above	O
50.	Business ethics calls for avoidance of :		
	(a)	Competition	O
	(b)	Publicity	O
	(c)	Monopoly	O
	(d)	Self Interest	O